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The Dynamics of Business and Management Education

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The Dynamics of Business and Management Education

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Introduction

During the last one hundred twenty years, the teaching of business and management in the United States has become a major factor in higher education. For example, in 1995, approximately 300,000 bachelor's degrees were awarded to business and management students — one fifth of the bachelor's degrees conferred by United States colleges and universities in that year.

The establishment and growth of collegiate business and management programs has been responsive to the needs of business and industry. New corporate structures, more sophisticated management concepts, an ever expanding body of laws and regulations, and the accelerating progression of innovation and technology has expanded the body of knowledge needed to manage business enterprises in the highly competitive global economy. Educators have met these needs by creating new courses, new majors, and new degree programs. In some instances, new management practices resulted from research and experimentation conducted by academics.

The future will be even more demanding in a business environment that will be more dynamic and volatile than in previous times. Technology is developing geometrically. New businesses are being formed and others are undergoing major changes at an unprecedented rate. Mergers, acquisitions, and global alliances are prevalent. Trade agreements in North America and Europe have influenced the competitive environment and future alliances are anticipated in South and Central America and among the Pacific Rim countries.

The Past

The demands of an expanding nation and a growing population brought about specialized collegiate education as a societal necessity. The consequence was the establishment of medical, law, engineering and other professional schools in the eighteenth and nineteenth centuries. However, specialization in business education lagged most other professional fields with the establishment of the initial, lasting collegiate school of business in 1881 when the Wharton School was founded at the University of Pennsylvania.

With the growth of larger corporate structures and manufacturing enterprises, business educators focused initially on bookkeeping and the administration of bureaucratic organization structures. However, key events precipitated the need for change and the incorporation of a growing body of knowledge into business and management education.

Early in the twentieth century, Frederick W. Taylor, who has been identified as the father of scientific management, researched the application of scientific methods in the workplace. The outcome was the development and implementation of the concept that a task could be scientifically studied to devise the one best method to perform the task. With a clear understanding of the task and how it would be performed, the worker most qualified to perform the task could be selected and trained. Standards of output expectations could be established and incentive pay structures could be designed to encourage optimum output.

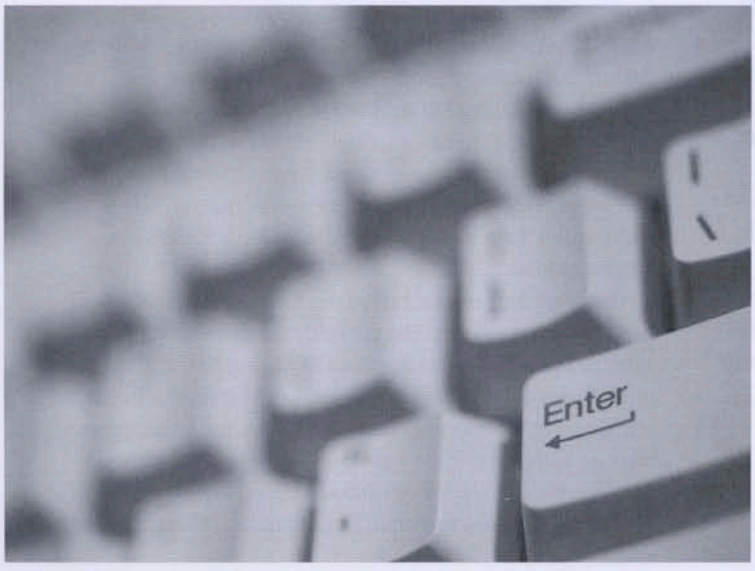
Frank and Lillian Gilbreth built upon the concept of scientific management. Through the use of motion studies, they were able to design jobs and the work place to improve efficiency and reduce fatigue. Using slow motion film techniques, they established time standards for basic work motions.

The contributions of Taylor, the Gilbreths and others that followed were broadly applied and sparked the need for qualified practitioners which led to the initiation of the new professions of industrial engineering and manufacturing engineering. Based upon research conducted by academics, such as, Elton Mayo, Douglas McGregor and Abraham Maslow, the behavioral or human relations movement gained recognition as a vital element in the effective management of people.

With the growth of business enterprises and with the increasing dominance of the corporate form of organization structure in the latter part of the Nineteenth century, the need became evident for more authoritative, reliable, and consistent standards of financial reporting and control. The passage of the Sixteenth Amendment to the constitution in 1913 gave to congress the powers to levy corporate and personal income taxes. The Revenue Act of 1913 ushered in a new era of professional requirements for accounting practitioners as millions of corporations, partnerships, and individuals became accountable to the Federal Government for the payment of income taxes. The Securities Act of 1934 authorized the creation of the Securities and Exchange Commission and a broad new area of business oversight. Subsequent amendments to the tax codes authorized employers to offer deferred income savings plans to employees and new controls and reporting requirements were enacted relative to employer administered pension plans.

Professional organizations, such as, the American Accounting Association and the Institute of Certified Public Accountants codified accounting standards and certification criteria. As distinct from public accounting, the refinement of industrial cost controls, planning, and budgeting systems created the corporate controller function. With the growing complexity of shareholder relations, finance and investment instruments, finance separated from accounting as a distinct profession.

Many laws, regulations, and legal precedent relative equal employment opportunity, labor relations, work hours and conditions, compensation, benefits, occupational health and safety, environmental protection, product labeling, product safety and liability have added significantly to the responsibilities of management and the knowledge needed to manage.



The considerable logistical challenges of World War II inspired the use of quantitative methods for the solution of complex problems to facilitate the war effort. After the war, these methods were adapted to the solution of complex business problems and led to the creation of the new management disciplines of operations research and management science.

Large corporations began to install large, mainframe computers during the 1950s to reduce the manual workload of corporate payroll preparation and financial reporting. Subsequently, viable material requirements planning, inventory management and scheduling systems were programmed to run on mainframe computers in a learn-as-you-do environment for most management people who had no prior computer training or experience. As smaller, less costly, and more versatile computers and computer chips became available, computer technology was applied to computer-aided design, computer aided manufacturing, computer programmable production machinery, robotics, and communications. This ushered in a new generation of computer literate managers and professionals.

The decade of the 1980s is identified with the definition and application of strategic management and global management as essential elements of management practice and education. The exposure and prosecution of unethical and illegal business practices, particularly in the investment field during the 1980s, precipitated the more frequent inclusion of ethics as a management course subject.

On September 8, 1995, Dr. James B. Appleberry addressed the Bridgewater State College community on the subject, *The Impact of Technology On The Re-engineering of Higher Education*. He quoted a Peter Drucker article which appeared in the November 1994 *Atlantic Monthly*, "...that in the emerging knowledge-based society, education will become the center of that society, and the school its key institution. ...It has been said that the total of humankind's information doubles at least one time every five years, and that by the year 2000, ninety-seven percent of what humankind knows will have been discovered or invented since those of us here today were born."

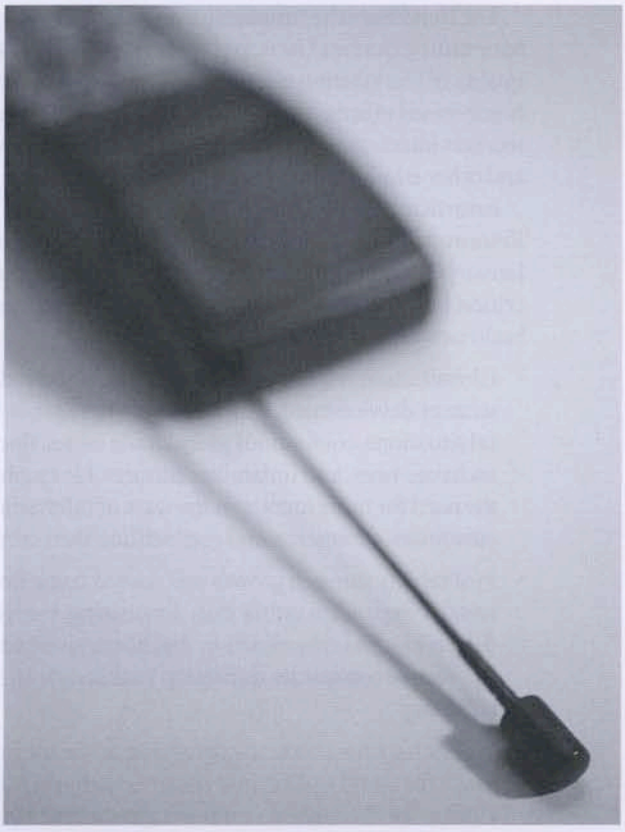
Dr. Appleberry referred to a former member of the United States president's cabinet who estimated that by the year 2020 information available to mankind will double every seventy-three days. He elaborated on the impact of the information revolution by mentioning the following career forecast from the head of Partnership Houston "...students graduating from our colleges and universities today can expect to have as many as five careers in their working lifetime, four of which do not exist today. In addition, they may be expected to retrain as many as thirteen times in their working lifetime." Did Dr. Appleberry overstate the case or was he prophetic? By reviewing a cross section of current publications, one might draw the conclusion that, if anything, his forecasts were too conservative.

The Future

The challenges to America's colleges and universities in the area of business education are enormous. Those challenges are so daunting because of the uncertain nature of the new global economy. Reflective of the times, a recent book authored by Tom Peters is entitled, *Thriving On Chaos.* In a similar manner, an article, "Managing Through The Chaos", Ram Charan, (*Fortune*, November 23, 1998) quotes Ford Motor Corporation CEO, Jacques Nasser, that, "The velocity and volatility with which trade, capital, and currencies move around the globe is unprecedented. A 10% to 15% yen volatility can wipe out your 5% after tax margin and alter the whole global competitive landscape." Yet despite the chaos, Nasser talked confidently about, "...the extraordinary connectedness of the world economy."

One thing is certain about the new global economy and the role of business education - the work place has changed markedly and will undergo greater change in the future. An article, "Finished At Forty" by Nina Munk (*Fortune*, February 1, 1999), states that, "The working world has changed. It has become faster and more efficient and, for many people, crueler. The unemployment rate hovers at thirty year lows; even so, companies announced the elimination of some 600,000 U.S. jobs last year, according to Challenger, Gray and Christmas, an outplacement firm that tracks such depressing data." The article further states, "Today, for many people, the longer you've been at one company, the more disposable you are. ...Perhaps technology is to blame. Maybe in this 'new' economy the old ways of doing business are indeed anachronistic...if the economy is new, who needs experience?" It cites a survey conducted last year by management consulting firm, Watson Wyatt Worldwide, which asked 773 CEO's at what age they felt that people's productivity peaked. The average response was 43 years. As one 41 year older, who was interviewed for the article, stated, "For my salary, the company can hire two twenty somethings."

The article concludes with the question: "When will older workers get some respect? Answer: When they're needed. By 2003, more than half the nation's workers will be forty or over. Who will replace them? Generation X (born between 1965 and 1977) numbers only forty-five million; generation Y (the echo boomers) is huge, but it won't be noticeable in the work force for another decade or so. The bottom line: at some point, probably around 2011 when the boomers start turning 65, companies will become desperate for workers, even older workers, according to the Hudson Institute's Richard Judy, a co-author of Workforce 2020."



An article by Daniel Q. Haney (*Boston Globe*, 1/23/99) quotes Martin Clarksberg, a Cornell University sociologist, that, "People are working longer hours, and it's not because they want to." His research data shows that when couples' work hours are added up, they are spending more time on the job than ever before. Between 1972 and 1994, total working time of couples has increased by seven hours per week.

Another trend in business that alters both methods of management and work is the growth of the alternative work place. Mahlar Apgar, in an article entitled, "The Alternative Workplace: Changing Where and How People Work," (*Harvard Business Review* May/June 1998) states that, "Today, AT&T is just one among many organizations pioneering the alternative workplace (AW) ...the combination of non-traditional work practices, settings, and locations that is beginning to supplement traditional offices. This is not a fad. Although estimates vary widely, some thirty million to forty million people in the United States are now either telecommuters or home-based workers. ...Since 1991, AT&T has freed up some $550 million in cash flow—a 30% improvement— by eliminating offices that people don't need." Continuing, Apgar states that another reason for this trend is the potential to increase productivity. Employees in the alternative workplace tend to devote less time and energy to typical office routines and more to customers.

The trend has other implications —the reduction of commuting time and its impact upon the environment and quality of life; taxation questions as more employees establish home-based offices; management and social changes as fewer workers interface and interrelate directly with supervisors and other employees in the workplace.

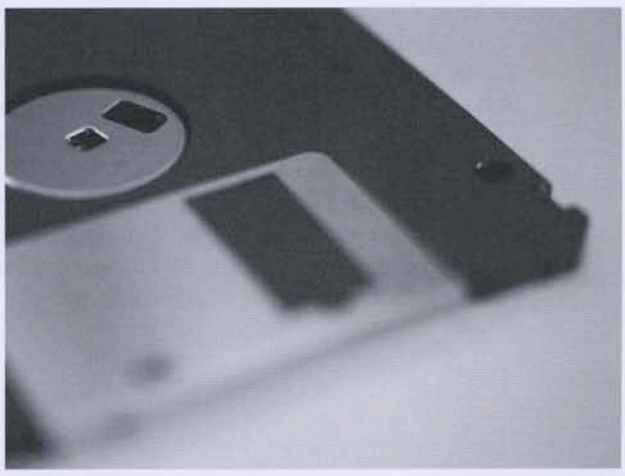
An article entitled, "A New Mandate For Human Resources," by David Ulrich (*Harvard Business Review*, January/February 1998) makes the point that there are five critical business challenges that require organizations to build new capabilities:

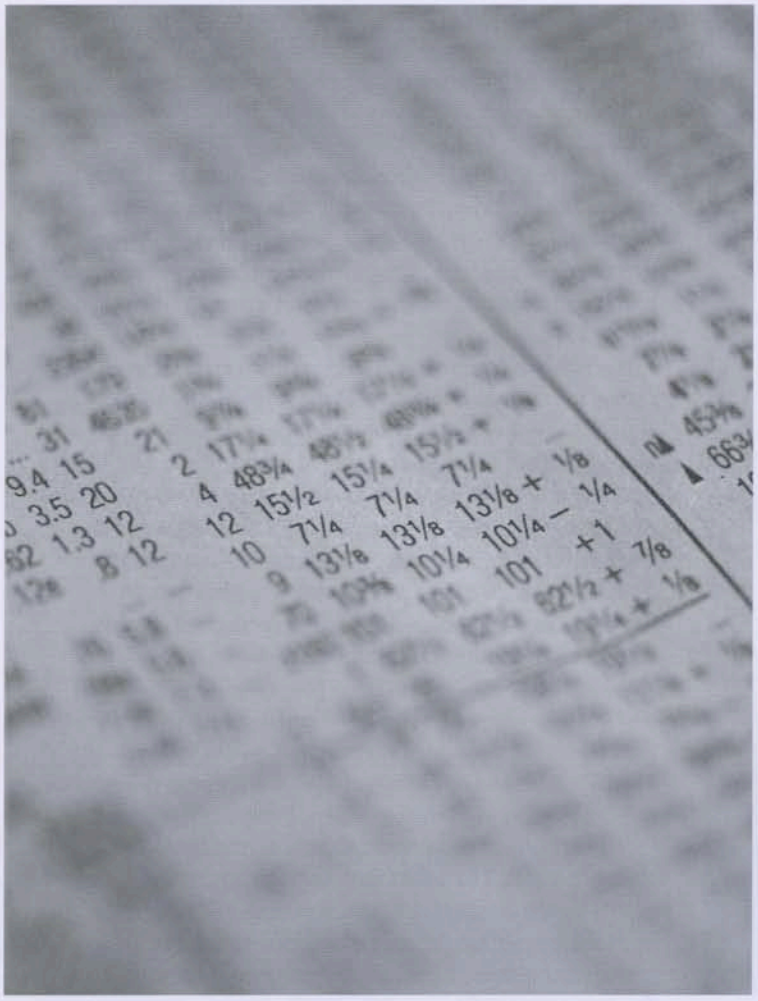
- Globalization requires the addition of new ingredients to strategy development, which he identifies as volatile political situations, contentious global trade issues, fluctuating exchange rates, and unfamiliar cultures. He emphasizes the need for more literacy in the ways of international customers, commerce, and competition than ever before.
- Profitability through growth will have to come from revenue expansion rather than downsizing, reengineering, delayering, and consolidation that has been relied upon by Western companies during the past decade to improve efficiency.
- Technology, from videoconferencing to the Internet has made the world smaller and faster. According to the author, "In the coming years managers will need to figure out how to make technology a viable and productive part of the work setting. They will need to stay ahead of the information curve and learn to leverage information for business results. Otherwise, they risk being swallowed up by a tidal wave of data – not ideas."
- Intellectual capital, knowledge, has become a direct competitive advantage for companies selling ideas and relationships, such as, professional services, software, and technology-driven firms and for all companies attempting to differentiate themselves by how they serve customers.
- Change, change and more change, the author states, is perhaps the greatest competitive challenge companies face. They must be able to learn rapidly and continuously to innovate and take on new strategic imperatives faster and more comfortably.

Diversity in the workplace and in the classroom will continue to challenge managers and education. The work force will continue to change dramatically in the next ten years as it becomes more diverse. Women represented 42.1% of the civilian U.S. labor force in 1979 and 45.5% in 1992. They are expected to represent 47.7% in the year 2005 – an increase of 24% in the next ten years. The number of men in the work force is projected to increase approximately 14% in the same time frame. Change in racial composition will be even more dramatic. Between 1992 and 2005, people classified as Asian and other in the work force will increase over 81%. People classified as black will rise over 25% and those classified as whites by 15%. Workers classified as whites will have declined as a percentage of the civilian labor force from 87.6% in 1979 to 85.5% in 1992 and are projected to constitute 82.9% in 2005. The number of Hispanics in the labor force will jump by almost 64% in the next ten years. These projected changes portend management challenges relative to the demand for more flexible work schedules, childcare, promotional opportunities, diversity issues and employee transfer conflicts where both spouses are on career paths.

An article authored by Brendan I. Koerner, entitled "Where The Boys Aren't" (*U.S. New and World Report*, 2/8/99), indicates that, "This year, women are expected to earn just over 57 percent of all bachelor's degrees, compared with 43 percent in 1970 and under 24% in 1950. The U.S. Department of Education now projects that by 2008, women will out-number men in undergraduate and graduate programs by 9.2 million to 6.9 million. The trend is moving quickly; if it continues at this pace, the graduation line in the year 2068 will be all females, says Tom Martensan, a higher-education policy analyst." The article reports that, by 1995, there was almost parity of women to men receiving bachelor's degrees in business and management.

The litigation and legal precedents being set proceed unabated. The awards are increasingly posing ever more severe penalties on employers who are either ignorant of or fail to enforce the law in their organizations. The June 11, 1998 issue of the *Boston Globe* reports on the substantial backlog of discrimination and sexual harassment cases awaiting a hearing





by the Massachusetts Commission Against Discrimination. The *Boston Globe* carried an Associated Press article on January 19, 1999 which reported that, "As the federal work force shrank, employee complaints alleging discrimination or other mistreatment swelled in the 1990s and have cost taxpayers more than $866 million, federal records have found." The article states that during the period 1990 through 1997, the government spent $378 million on counselors, judges and investigators and another $488 million went to employees who won compensation awards ranging from a few thousand dollars to millions for class-action suits. Although substantial, that sum pales when compared to costs incurred for violations by businesses and industry in the same period.

Technological break-throughs and new product introductions are being announced almost on a daily basis in pharmaceuticals, biogenetics, telecommunications, and other high technology products. Twenty and thirty year olds are earning fortunes in software and Internet company start-ups. An Associated Press release printed in the *Cape Cod Times* on February 7, 1999 entitled, "You Don't Need Profit To Make Money," noted that Amazon.com, the on-line seller of books and related products, realized a 900% appreciation in the value of its stock last year without ever having realized an operating profit. There are now dozens of other start-ups offering various products and services and attempting to cash in on the same formula.

The 1998 Christmas season set a record for sales via the Internet. Fifty percent of new car buyers in 1998 did research on the Internet prior to the purchase and the purchase of twenty percent of the cars sold was accomplished on the Internet. In a February 6, 1999 article, the *Boston Globe* reported that the U.S. Department of Commerce would begin publishing annual on-line retail sales figures for the first time, reflecting the Internet's significant impact on the retail industry. "Our Census Bureau will begin to track e-commerce separately in our annual retail survey, "a major indicator of the nation's economic health," according to Secretary of Commerce William Daley. *Fortune* magazine's recent Technical Buyer's Guide stated that in the past year, major brands and retail outlets have set up electronic shops as millions more people turn on, tune in, and start surfing. Major retailers, such as, the Gap, Sears, Macy's, Spiegel, J.C. Penney, L.L. Bean and many others are on the Web. Over the past year, the variety of goods available has broadened tremendously and the technology has improved to the point where security is hardly an issue, according to the article.

Ross Kerber, in an article entitled "Internet Boom Reverberating in Business Schools," (*Boston Globe*, February 4, 1999) stated that the hottest course at MIT's Sloan School of Management stopped taking applications after 150 students signed up for the 76 available seats. The course, Electron Commerce and Marketing, is popular since, "the Internet revolution reshaped the business landscape and allowed even those with modest resources to generate quick fortunes on the World Wide Web. Now many business students who once imagined making their mark on Wall Street or in consulting firms dream of careers in cyberspace." Harvard Business School opened an office in the Silicon Valley to develop case studies for teaching classes about Internet company start-ups. The Sloan School, in order to accommodate growing student interest in the Internet, will offer a new track of courses in electronic commerce and on-line marketing. Similar efforts are underway at Vanderbilt University. Carnegie Mellon University's business school recently announced a one-year master's degree program to train students to run Internet companies.

Click, a special section of the *Boston Globe*, was introduced on February 11, 1999. The cover page stated that, "This issue of *Click*, the Globe's new section on personal and communication technology, focuses on the electronic economy, and its effect on our financial lives. Today we can pay bills, buy stocks, bid on antiques, file taxes and, order valentine chocolates without ever touching a dollar bill. Even ATM and credit cards may soon be obsolete as banks' 'tin tellers' will dispense everything from airline tickets to mutual funds with a literal blink of an eye."

Conclusion

Schools of business and management were opened and grew in response to the needs of business and industry. During the first one hundred years or so of that period, the growth was evolutionary – business expanded, new business and management practices were developed, new laws and regulations imposed, and more efficient manufacturing and business technologies were introduced. Higher education conformed to the needs of business and, in some instances, led the way.

The business environment of the future will offer new opportunities and, from all indications, will change at a revolutionary rate. If higher education cannot anticipate, or at least respond expeditiously to this change, business and industry will turn inward. It has been amply demonstrated that corporations are willing to make extensive investments to train and educate professionals and managers outside of higher education.

If schools of business and management are to remain viable, they must not lag behind the leading edge of the change wave. In the classroom, textbooks must be supplemented with contemporary data, curriculum must be updated quickly in response to business developments, and real-time input must be garnered from business organizations. Most of the means for achieving this input are not new, but are in need of more extensive application. Such initiatives as faculty consulting assignments and faculty summer internships, executives in residence, student internships and cooperative education programs, seminars with and guest speakers from business and industry can enhance the real-time exchange of knowledge and understanding. The initiation and operation of business and entrepreneurial centers by schools of management allows management faculty to become proactive rather than reactive to the change process. The solicitation of government and industry grants for the conduct of business studies and research by management faculty provides another useful and knowledge-enhancing interface between academia and the corporate world.

If business and management students are to be properly served, they must commence their careers with an education that has focused on the future rather than on the past.

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